



**800 MHz RECONFIGURATION
STATEMENT OF PROGRAM EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2016
AND FOR THE PERIOD FROM
AUGUST 6, 2004 (INCEPTION) THROUGH DECEMBER 31, 2016**

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OVERVIEW

The 800 MHz Transition Administrator, LLC (“TA”)² provides to the Federal Communications Commission (“FCC”) this audited Statement of Program Expenditures, reporting funds expended in connection with the reconfiguration of the 800 MHz band for the year ended December 31, 2016 and for the period from August 6, 2004 (“Inception”) through December 31, 2016. Pursuant to the FCC’s Reconfiguration Orders,³ the TA, as the manager of the reconfiguration effort, is required to submit on an annual basis an audited statement of reconfiguration funds expended, including salaries and expenses of the TA.⁴ The Reconfiguration Orders provided that the reconfiguration of the 800 MHz band (“800 MHz Reconfiguration” or “Program”) would be completed by June 26, 2008, with a financial reconciliation or “Final Accounting” completed within six months thereafter to determine the amount of any Anti-Windfall Payment. (See Note II). The FCC subsequently deferred the Final Accounting until the conclusion of the 800 MHz Reconfiguration or such time as the TA determines that Sprint would not be required to pay any Anti-Windfall Payment. This Statement of Program Expenditures is intended as the True-Up Report envisioned by the September 2014 Order and demonstrates that from Inception through December 31, 2016, Sprint Corporation (“Sprint”)⁵ has documented 800 MHz Reconfiguration Program Expenditures sufficient to eliminate any Anti-Windfall Payment.

² 800 MHz Transition Administrator, LLC is the Transition Administrator for the reconfiguration of the 800 MHz band as mandated by the FCC. 800 MHz Transition Administrator, LLC has contracted with Deloitte Consulting LLP, Squire Patton Boggs (US) LLP, and Baseline Wireless Services, LLC (each a “TA Member” and collectively “TA Members”) to perform the duties of the TA.

³ Improving Public Safety Communications in the 800 MHz Band, *Report and Order, Fifth Report and Order, Fourth Memorandum Opinion and Order, and Order*, 19 FCC Rcd 14969 (2004), *amended by Erratum*, WT Docket No. 02-55 (rel. Sep. 10, 2004); *Second Erratum*, 19 FCC Rcd 19651 (2004); *Third Erratum*, 19 FCC Rcd 21818 (2004) (“Report and Order”); *Supplemental Order and Order on Reconsideration*, 19 FCC Rcd 25120 (2004), *amended by Erratum*, WT Docket No. 02-55 (rel. Jan. 19, 2005); *Memorandum Opinion and Order*, 20 FCC Rcd 16015 (2005); *Second Memorandum Opinion and Order*, 22 FCC Rcd 10467 (2007), *amended by Erratum*, WT Docket No. 02-55 (rel. July 26, 2007); *Third Memorandum Opinion and Order*, 22 FCC Rcd 17209 (2007); *Second Report and Order*, 23 FCC Rcd 7605 (2008), *amended by Erratum*, WT Docket No. 02-55 (rel. May 28, 2008); *Fourth Memorandum Opinion and Order*, 23 FCC Rcd 18512 (2008); *Third Report and Order and Third Further Notice of Proposed Rulemaking*, 25 FCC Rcd 4443 (2010); *Fourth Report and Order*, 26 FCC Rcd 1937 (2011); *Fifth Report and Order*, 28 FCC Rcd 4085 (2013); *Memorandum Opinion and Order and Order of Proposed Modification*, 29 FCC Rcd 11549 (2014) (“September 2014 Order”) (collectively “Reconfiguration Orders”).

⁴ *Report and Order*, 19 FCC Rcd at 15073, 47 C.F.R. § 90.676(b)(4).

⁵ On July, 11, 2013, a wholly-owned subsidiary of Softbank Corporation (“Softbank”) and Sprint Nextel Corporation merged to form Sprint Corporation, making Sprint Corporation a subsidiary of Softbank. Nextel Communications, Inc., Sprint Nextel Corporation, Sprint Corporation, and any subsidiary or successor to any of them are together referred to herein as “Sprint.”

INDEPENDENT AUDITOR'S REPORT

To 800 MHz Transition Administrator, LLC:**Report on the Statement of Program Expenditures**

We have audited the accompanying Statement of Program Expenditures of the 800 MHz Reconfiguration Program (Program) for the year ended December 31, 2016 and for the period August 6, 2004 (Inception) through December 31, 2016, and the related notes.

Management's Responsibility for the Statement of Program Expenditures

Sprint Corporation ("Sprint") and the 800 MHz Transition Administrator, LLC are responsible for the preparation and fair presentation of the Statement of Program Expenditures in accordance with the cash basis of accounting described in Note II; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the Statement of Program Expenditures in the circumstances. Sprint and the 800 MHz Transition Administrator, LLC are also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Statement of Program Expenditures that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the Statement of Program Expenditures based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Statement of Program Expenditures is free from material misstatement.

An audit involves performing procedures to obtain audit evidence supporting the amounts and disclosures in the Statement of Program Expenditures. The procedures selected depend on the auditor's judgment, including an assessment of the risks of material misstatement of the Statement of Program Expenditures, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to Sprint's and the 800 MHz Transition Administrator, LLC's preparation and fair presentation of the Statement of Program Expenditures in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Sprint's and the 800 MHz Transition Administrator, LLC's internal controls. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the Statement of Program Expenditures.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the Statement of Program Expenditures referred to above presents fairly, in all material respects, the Program expenditures of the 800 MHz Reconfiguration Program for the year ended December 31, 2016, and for the period from August 6, 2004 (Inception) through December 31, 2016, on the basis of accounting described in Note II.

Basis of Accounting

We draw attention to Note II of the Statement of Program Expenditures, which describes the basis of accounting. The Statement of Program Expenditures was prepared using the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to comply with the accounting requirements of the Program. Our report is not modified with respect to that matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 02, 2017, on our consideration of Sprint's and the 800 MHz Transition Administrator, LLC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and other matters, including the requirements of the Federal Communications Commission *Improving Public Safety Communications in the 800 MHz Band*, Report and Order, Fifth Report and Order, Fourth Memorandum Opinion and Order, and Order, 19 FCC Rcd 14969 (2004), as amended, modified and supplemented. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Sprint's and the 800 MHz Transition Administrator, LLC's internal control over financial reporting and compliance.



Bethesda, Maryland
June 02, 2017

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	For the Year Ended December 31, 2016	Inception Through December 31, 2016
800 MHz Incumbent Reconfiguration Costs (Note III)	\$ 215,613	\$ 1,568,517
Sprint Costs (Note IV)	2,366	260,931
Letter of Credit Fees (Note V)	4,073	310,046
TA Fees & Expenses (Note VI)	<u>8,236</u>	<u>337,360</u>
Total Program Expenditures	\$ <u><u>230,288</u></u>	\$ <u><u>2,476,854</u></u>

See Notes to the Statement of Program Expenditures.

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I. 800 MHz RECONFIGURATION PROGRAM DESCRIPTION

A. Program Background

At Inception the FCC ordered the reconfiguration of the 800 MHz band to eliminate interference to critical public safety communications from commercial wireless carriers operating in the 806-824 MHz/851-869 MHz band (the “800 MHz band”).⁶ In the past, public safety and other “high-site” radio systems—including those used by police, firefighters, emergency services, utilities, and businesses operating in the 800 MHz band—increasingly experienced equipment interference problems and communications “dead zones” as a result of technically incompatible “low-site” commercial wireless systems operating in the same or adjacent spectrum bands. This issue became more problematic as low-site systems such as those of Sprint grew and high-site 800 MHz public safety systems became more widespread.

In order to alleviate the interference between the two types of systems, the 800 MHz Reconfiguration is relocating certain licensees operating 800 MHz systems (“800 MHz Incumbent Licensees”) to lower segments of the 800 MHz band and commercial cellular networks to higher segments. Additionally, an “Expansion Band” and a “Guard Band” have been created to serve as a buffer between the different systems. The Program is being overseen by a Transition Administrator, the TA.

Pursuant to the Report and Order, completion of the 800 MHz Reconfiguration was initially required by June 26, 2008. Certain 800 MHz Incumbent Licensees located close to the United States-Canada and the United States-Mexico borders could not reconfigure until the respective countries completed negotiations concerning the coordination of new frequency plans that would permit the licensees within the United States to be relocated to different frequencies. In May 2008, the FCC adopted a reconfigured channel plan for the 800 MHz band along the United States-Canada border based on the international allocation of the 800 MHz spectrum that was negotiated by the two countries and established a 30-month transition period for reconfiguration of licensees in the United States-Canada border regions. In October 2008, the TA released, and the FCC subsequently approved, the Canadian Implementation Plan and timetable for the 800 MHz Reconfiguration along the United States-Canada border. The 30-month transition period started on October 14, 2008 and ended on April 14, 2011. Likewise, in April 2013, the FCC adopted a reconfigured channel plan for the 800 MHz band along the United States-Mexico border based on the international allocation of the 800 MHz spectrum that was negotiated by the two countries and established a 30-month transition period for reconfiguration of licensees along the United States-Mexico border. In August 2013, the TA released, and the FCC approved, the Mexican Implementation Plan and timetable for the 800 MHz Reconfiguration along the United States-Mexico border. The 30-month transition period commenced on August 23, 2013 and

⁶ See generally Report and Order.

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ended on February 23, 2016.⁷ The FCC has granted certain 800 MHz Incumbent Licensees additional time to complete their reconfigurations.

B. Affected Parties

The primary parties affected by the reconfiguration process include:

1. 800 MHz Incumbent Licensees

The FCC ordered the 800 MHz Incumbent Licensees to relocate their systems to comparable facilities on new frequencies and required Sprint to pay the reasonable and prudent expenses directly related to such relocations. To accomplish this, the 800 MHz Incumbent Licensees and Sprint negotiate and enter into Frequency Reconfiguration Agreements (“FRAs”) and, if needed, Planning Funding Agreements (“PFAs”), (collectively “800 MHz Agreements”).⁸ The TA evaluates and approves the 800 MHz Agreements. In addition, at the completion of each reconfiguration, the TA evaluates the amounts expended to determine if those amounts are consistent with TA-approved amounts.

2. Sprint

Sprint is charged by the FCC with providing funding for the 800 MHz Reconfiguration, including expenditures relating to relocation of affected licensees, reconfiguration of many of Sprint’s own 800 MHz operations, and other Program expenditures, such as TA and audit fees. To ensure reconfiguration of all affected licensees is completed, the FCC initially required Sprint to obtain an irrevocable letter of credit (“Letter of Credit”) in the amount of \$2.5 billion and commit to fully funding the 800 MHz Reconfiguration. The amount of the Letter of Credit has been subsequently reduced for amounts paid by Sprint for costs to accomplish the relocation while also taking into account the then-current forecast of remaining costs to complete the 800 MHz Reconfiguration.

In addition, Sprint has received spectrum in the 1.9 GHz band and has relinquished spectrum in the 800 MHz band. The FCC has made available to qualified entities certain channels in the 800 MHz band surrendered by Sprint. To ensure that Sprint does not realize any windfall gain, the FCC will require Sprint to pay into the U.S. Treasury an amount equal to the value of the 1.9 GHz spectrum it received less the sum of: i) the net value of spectrum rights that Sprint has relinquished to the 800 MHz Incumbent Licensees; ii) the actual cost of 800 MHz band reconfiguration (“800 MHz Reconfiguration Program Expenditures”); and iii) net costs incurred by Sprint to clear the 1.9 GHz band, (the “Anti-Windfall Payment”).

⁷ See Public Safety and Homeland Security Bureau Announces that the 30-Month Transition Period for 800 MHz Band Reconfiguration in Regions Along the U.S.-Mexico Border Will Commence on August 23, 2013, *Public Notice*, 28 FCC Rcd 12290 (2013).

⁸ 800 MHz Agreements include any subsequent amendments.

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3. TA

The TA is an independent entity charged with administrative and financial aspects of the reconfiguration process and is a wholly-owned subsidiary of Baseline Wireless Services, LLC.⁹ The TA contracted with Deloitte Consulting LLP, Squire Patton Boggs (US) LLP and Baseline Wireless Services, LLC to perform the duties of the TA. Among its duties, the TA establishes reconfiguration guidelines, specifies replacement channels, evaluates cost estimates, monitors payment of and evaluates 800 MHz licensee reconfiguration costs, assesses Sprint's internal costs of relocation, manages the relocation schedule, facilitates issue resolution and administers the alternative dispute resolution process.

II. SIGNIFICANT ACCOUNTING PRINCIPLES

A. Final Accounting, Scope of 800 MHz Reconfiguration Statement of Program Expenditures and Basis of Accounting

The Report and Order originally provided that the Program would be completed by June 26, 2008, with a financial reconciliation or "Final Accounting" completed within six months thereafter to determine the amount of any Anti-Windfall Payment. The FCC subsequently deferred the Final Accounting until the conclusion of the 800 MHz Reconfiguration or such time as the TA determines that Sprint would not be required to pay any Anti-Windfall Payment.

In the September 2014 Order, the FCC directed the TA to conduct the Anti-Windfall Payment calculation and issue an audited "True-Up Report" within six months of receipt of the necessary documentation from Sprint of sufficient 800 MHz Reconfiguration Program Expenditures to eliminate any Anti-Windfall Payment.¹⁰ As of December 31, 2015, 800 MHz Reconfiguration Program Expenditures were not sufficient to eliminate the Anti-Windfall Payment. Since December 31, 2015, Sprint continued to provide the TA with documentation of additional 800 MHz Reconfiguration Program Expenditures. On October 7, 2016, the TA preliminarily determined that 800 MHz Reconfiguration Program Expenditures, as submitted by Sprint through July 31, 2016, were sufficient to eliminate the Anti-Windfall Payment. Expenditures by Sprint after July 31, 2016 were not submitted for credit assessment and are not included in the

⁹ Prior to May 8, 2009, the TA was a wholly-owned subsidiary of BearingPoint, Inc. The TA originally contracted with BearingPoint, Inc., Squire Sanders and Dempsey LLP and Baseline Wireless Services, LLC to perform the duties of the TA. Squire, Sanders and Dempsey L.L.P subsequently changed its name to Squire Sanders (US) LLP and ultimately to Squire Patton Boggs (US) LLP. As of May 8, 2009, Deloitte Consulting LLP, a subsidiary of Deloitte LLP, has replaced BearingPoint, Inc. as a contractor to the TA and, as a result, has assumed BearingPoint, Inc.'s responsibilities with respect to the Program. On May 20, 2009, the FCC approved the transfer of ownership of the TA to Baseline Wireless Services, LLC. The ownership transfer was made the same day. Improving Public Safety Communications in the 800 MHz Band, WT Docket No. 02-55, *Order*, 24 FCC Rcd 5739 (2009).

¹⁰ See, e.g., September 2014 Order, 29 FCC Rcd at 11557 ¶ 23.

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Statement of Program Expenditures but may be assessed as Creditable Expenditures during a subsequent reporting period. (See Note VIII).

The scope of the Statement of Program Expenditures includes 800 MHz Reconfiguration Program Expenditures: i) that have been submitted by Sprint to the TA for assessment and ii) assessed by the TA as allowable 800 MHz Reconfiguration Program Expenditures in accordance with the Report and Order (“Creditable Expenditures”). Additionally, the Statement of Program Expenditures includes 800 MHz Reconfiguration Program Expenditures that the TA estimates would be Creditable Expenditures upon the cutover to the new frequencies of the 800 MHz Incumbent Licensee’s system and the FCC grant of the required licensing modifications to add the new frequencies and delete the old frequencies.¹¹

In calculating the Anti-Windfall Payment, the FCC valued Sprint’s 1.9 GHz spectrum rights at \$4.855548 billion and credited Sprint with \$2.059 billion for 800 MHz spectrum that Sprint vacated for public safety use. The difference, \$2.796548 (\$2.8 billion) is the amount that Sprint must demonstrate it has expended on 800 MHz Reconfiguration Program Expenditures and to clear the 1.9 GHz band.¹² In addition, the FCC has instructed that Sprint be credited with \$500.35 million in expenses for clearing the 1.9 GHz spectrum.¹³ Based on this amount, which the TA has not independently assessed, verified, or subjected to audit, the FCC required that Sprint document that it has spent at least \$2.296198 billion of Creditable Expenditures to eliminate the Anti-Windfall Payment.

Total Program Expenditures from Inception through December 31, 2016 are \$2.476854 billion (See page 7). This, however, includes \$0.131820 billion for Open Agreements – FCC Licensing Pending. (See Note III). In accordance with the September 2014 Order, amounts expended on Open Agreements – FCC Licensing Pending are not yet eligible to be included in Creditable Expenditures. As such, the amount must be deducted from the Total Program Expenditures to calculate whether the Anti-Windfall Payment has been eliminated. Deducting the amount for Open Agreements – FCC Licensing Pending from Total Program Expenditures totals \$2.345034 billion, which exceeds the required \$2.296198 billion and is therefore sufficient to eliminate any Anti-Windfall Payment.

¹¹ See, e.g., September 2014 Order, 29 FCC Rcd at 11556 ¶ 22. The FCC directed the TA to conduct an assessment of Sprint’s expenditures and supporting documentation provided by the parties for reconfigurations where the system cutover to new frequencies has occurred and the required licensing modifications to add new frequencies and delete old frequencies have been granted, even if the FRAs for such reconfigurations are not yet closed and the final certifications have not been provided. For the periods ended December 31, 2013 and earlier, the TA classified 800 MHz Licensee Costs as “Closed Agreements” and “Open Agreements.” As a result of the FCC’s guidance, for periods ending after December 31, 2013, expenditures that would have previously been classified as “Open Agreements” are now categorized as either “Open Agreements – FCC Licensing Pending” or “Open Agreements – FCC Licensing Completed.” See Note III.

¹² September 2014 Order, 29 FCC Rcd at 11554 n.37.

¹³ September 2014 Order, 29 FCC Rcd at 11554-55 ¶ 17.

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Certain expenditures submitted by Sprint have been excluded from the Statement of Program Expenditures. These expenditures were excluded because additional information is needed from Sprint and/or certain 800 MHz Incumbent Licensees in order for the TA to complete its assessment. In addition, there are certain expenditures Sprint has not yet submitted to the TA for credit assessment. These expenditures may ultimately be assessed as Creditable Expenditures during a subsequent reporting period. (See Notes VII and VIII). The Statement of Program Expenditures also excludes costs incurred by Sprint to clear the 1.9 GHz band, less any amounts reimbursed to Sprint. In accordance with the Report and Order, such costs were maintained by Sprint and were required to be audited on an annual basis until the completion of the 1.9 GHz band clearing, which occurred in 2010.

The Statement of Program Expenditures represents Creditable Expenditures and Open Agreements – FCC Licensing Pending amounts presented on the cash basis method of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

B. 800 MHz Incumbent Reconfiguration Costs

The 800 MHz Incumbent Reconfiguration Costs reflect expenditures made by Sprint in accordance with the 800 MHz Agreements. These expenditures include payments:

- to 800 MHz Incumbent Licensees or their vendors, sales and use taxes, FCC filing fees and certain other costs Sprint is required to pay (“800 MHz Licensee Costs”); and
- to equipment manufacturers for replacement equipment required by certain 800 MHz Incumbent Licensees because their equipment could not be retuned, as well as software to enable certain subscriber equipment to be retuned rather than replaced (“800 MHz Replacement Equipment Costs”).

The 800 MHz Incumbent Reconfiguration Costs are reported in three categories:

- actual costs pursuant to 800 MHz Agreements that have closed (“Closed Agreements”);
- actual costs pursuant to 800 MHz Agreements that have not yet closed but i) where the system has cutover to the new frequencies and ii) the required licensing modifications to add new frequencies and delete old frequencies have been granted (“Open Agreements – FCC Licensing Completed”); and
- advance payments pursuant to 800 MHz Agreements that are not Closed Agreements or Open Agreements – FCC Licensing Completed (“Open Agreements – FCC Licensing Pending”).

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Pursuant to the 800 MHz Agreements, prior to closing, the 800 MHz Incumbent Licensees are required to provide Sprint with the supporting documentation for their costs incurred in reconfiguration. Sprint and the 800 MHz Incumbent Licensees are also required to reconcile the estimated costs included in the 800 MHz Agreements to the actual costs supported (“Actual Costs”) to determine any additional amounts due to the 800 MHz Incumbent Licensees or any refund due to Sprint (the “Actual Cost Reconciliation Process”). Certain payment terms included in the 800 MHz Agreements require Sprint to make advance payments prior to the completion of the Actual Cost Reconciliation Process.

The scope of the 800 MHz Incumbent Reconfiguration Costs reflected in the Statement of Program Expenditures is limited, and, accordingly, these amounts do not include all of the 800 MHz Incumbent Reconfiguration Costs incurred through December 31, 2016 that may ultimately be assessed as Creditable Expenditures during a subsequent reporting period. (See II.A. above).

C. Sprint Costs

Sprint Costs reflect expenditures by Sprint for:

- Program Expenditures such as: i) Sprint’s costs for broker and legal fees related to their negotiations with 800 MHz Incumbent Licensees; ii) systems development costs to support tracking and reporting of 800 MHz Reconfiguration activity and expenditures; and iii) Sprint’s program and financial management costs, such as fees related to Sprint’s legal, management and coordination support, financial management and audit expenditures, and other program costs incurred by Sprint (“Program Costs”); and
- the reconfiguration of Sprint’s systems in the 800 MHz band, such as installing improved filters in Sprint’s 800 MHz base station transmitters and relocating Sprint’s operations to new channels (“Internal Network Costs”).

The scope of the Sprint Costs reflected in the Statement of Program Expenditures is limited, and, accordingly, these amounts do not include all of the Sprint Costs incurred through December 31, 2016 that may ultimately be assessed as Creditable Expenditures during a subsequent reporting period. (See II.A. above).

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D. Letter of Credit Fees

Letter of Credit Fees reflect the costs of the Letter of Credit maintained by Sprint as security for payment of 800 MHz Incumbent Reconfiguration Costs. As of December 31, 2016, the Letter of Credit was scheduled to expire on February 19, 2018. The TA may initiate draws on the Letter of Credit to pay 800 MHz Incumbent Licensees or their vendors in the event that Sprint fails to make payment within 30 days of a payment obligation date and fails to demonstrate good cause for non-payment within 40 days of a payment obligation date. The initial amount of the Letter of Credit was established at \$2.5 billion and may be reduced over the life of the Program, as Sprint's remaining payment obligations related to 800 MHz Incumbent Reconfiguration Costs are reduced.¹⁴

Letter of Credit Fees are governed by the credit agreement, as may be amended from time to time, that Sprint has entered into with its banks. As of December 31, 2016, the Letter of Credit costs accrue daily based on the Letter of Credit exposure, defined as the sum of: i) the undrawn amount of the outstanding Letter of Credit, plus ii) the aggregate amount of all disbursements made pursuant to the Letter of Credit not reimbursed by Sprint.

As of December 31, 2016, Letter of Credit Fees are comprised of the following fees:

Type of Fee	Percentage Range Inception through December 31, 2016		As of December 31, 2016
	Low	High	
Fronting Fee	0.10% per annum	0.25% per annum	0.15% per annum
Participation Fee	0.30% per annum	4.00% per annum	3.00% per annum
Facility Fee ¹⁵	0.10% per annum	0.15% per annum	N/A

The participation fee varies depending on Sprint's corporate credit rating, as published by Standard & Poor's Rating Services and Moody's Investors Service, Inc.

E. TA Fees & Expenses

TA Fees are billed in accordance with the TA's agreements with Sprint. Labor is billed at contractually agreed hourly rates and reasonable costs and expenses, including travel, are billed as incurred. (See Note VI).

¹⁴ Initially, the Report and Order established an \$850 million floor for the Letter of Credit. On October 1, 2014, in response to a Petition for Declaratory Ruling filed by Sprint, the FCC modified a condition on Sprint's licenses to eliminate the floor. See Sprint Nextel Corporation, Petition for Declaratory Ruling, WT Docket No. 02-55, *Order of Modification*, 29 FCC Rcd 11689, 11690 ¶ 5 (2014).

¹⁵ As of November 3, 2008, pursuant to an amendment of the credit facility between Sprint and its banks, the Facility Fee was terminated.

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III. 800 MHz INCUMBENT RECONFIGURATION COSTS

Total 800 MHz Incumbent Reconfiguration Costs assessed are as follows:¹⁶

	For the Year Ended December 31, 2016	Inception Through December 31, 2016
<u>800 MHz Licensee Costs</u>		
Closed Agreements	\$ 122,721	\$ 543,628
Open Agreements – FCC Licensing Completed	(48,975)	356,612
Open Agreements – FCC Licensing Pending	<u>(53,121)</u>	<u>131,820</u>
Total 800 MHz Licensee Costs	20,625	1,032,060
<u>800 MHz Replacement Equipment Costs</u>		
Closed Agreements	48,233	176,484
Open Agreements – FCC Licensing Completed	146,755	322,677
Software Development	<u>-</u>	<u>37,296</u>
Total 800 MHz Replacement Equipment Costs	194,988	536,457
Total 800 MHz Incumbent Reconfiguration Costs ¹⁷	\$ <u>215,613</u>	\$ <u>1,568,517</u>

The amounts submitted to the TA for 800 MHz Replacement Equipment Costs and 800 MHz Licensee Costs, net of Amounts Open for More Information to Allow Credit Assessment (See Note VII), for the year ended December 31, 2016, included Creditable Expenditures of \$33.3 million for Motorola Solutions and \$153.6 million for Harris Corporation. Additionally, the

¹⁶ Expenditures made by Sprint after July 31, 2016 that would otherwise be included in Notes III, IV, V, VI and VII were not submitted for credit assessment. (See Note II).

¹⁷ During the year ended December 31, 2016, \$35.6 million of 800 MHz Licensee Costs for Open Agreements – FCC Licensing Pending were reclassified as Open Agreements – FCC Licensing Completed, while \$26.9 million of the costs were reclassified as Closed Agreements. Additionally, \$91 million of 800 MHz Licensee Costs for Open Agreements – FCC Licensing Completed were reclassified as Closed Agreements during the year. Furthermore, during 2016, \$33.9 million of 800 MHz Replacement Equipment Costs for Open Agreements – FCC Licensing Completed were reclassified as Closed Agreements.

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amounts for the period of Inception through December 31, 2016, included \$772.3 million for Motorola Solutions, \$225.9 million for Harris Corporation and \$8.8 million for M/A-COM, Inc., which was acquired by Harris Corporation on April 16, 2009.

Total 800 MHz Agreements assessed are as follows:

	Inception Through December 31, 2016
Planning Funding Agreements	\$ 98,667
Frequency Reconfiguration Agreements	<u>1,104,270</u>
Total 800 MHz Agreements	\$ <u>1,202,937</u>

Total 800 MHz Agreements includes the total estimated costs in the TA-approved 800 MHz Agreements, as adjusted to reflect actual costs of the agreements that have closed.

IV. SPRINT COSTS

Total Sprint Costs assessed are as follows:

	For the Year Ended December 31, 2016	Inception Through December 31, 2016
Program Costs	\$ 2,366	\$ 137,367
Internal Network Costs	<u>-</u>	<u>123,564</u>
Total Sprint Costs	\$ <u>2,366</u>	\$ <u>260,931</u>

The scope of the Sprint Costs reflected in the Statement of Program Expenditures is limited, and, accordingly, these amounts do not include all of the Sprint Costs incurred through December 31, 2016, which may ultimately be assessed as Creditable Expenditures during a subsequent reporting period. (See Note II).

800 MHz RECONFIGURATION
NOTES TO THE STATEMENT OF PROGRAM EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2016
AND FOR THE PERIOD FROM
AUGUST 6, 2004 (INCEPTION) THROUGH DECEMBER 31, 2016
(in thousands, unless otherwise noted)

V. LETTER OF CREDIT FEES

At December 31, 2016, and December 31, 2015, the balance of the Letter of Credit was \$165.1 and \$255.8 million, respectively. On August 17 and October 7, 2016, the amount of the Letter of Credit was reduced by \$29.5 million and \$37.8 million respectively. Additionally, on December 28, 2016, the Letter of Credit was further reduced by \$23.4 million. Through December 31, 2016, there were no draws or disbursements on the Letter of Credit. Letter of Credit Fees assessed for the year ended December 31, 2016 and for the period of Inception through December 31, 2016 are \$4.1 million and \$310 million, respectively.

VI. TA FEES & EXPENSES

Fees for labor hours and expenses of the TA assessed for the year ended December 31, 2016, and for the period of Inception through December 31, 2016, are \$8.2 million and \$337.4 million, respectively.

VII. SUBMITTED PROGRAM EXPENDITURES (Unaudited)

In order to be included in the Statement of Program Expenditures, the costs have to be paid by Sprint, submitted by Sprint to the TA for credit assessment, and assessed by the TA as Creditable Expenditures or Open Agreements – FCC Licensing Pending amounts. (See Note II). In certain circumstances, the TA requires additional information in order to complete its credit assessment. As of December 31, 2016, such expenditures are as follows:

	Expenditures Submitted for Credit Assessment	Amounts Assessed as Creditable Expenditures	800 MHz Licensee Costs: Open Agreements - FCC Licensing Pending	Amounts Open for More Information to Allow Credit Assessment
800 MHz Incumbent Reconfiguration Costs	\$ 1,907,465	\$ 1,436,697	\$ 131,820	\$ 338,948
Sprint Costs	316,227	260,931	-	55,296
Letter of Credit Fees	310,046	310,046	-	-
TA Fees & Expenses	<u>337,360</u>	<u>337,360</u>	<u>-</u>	<u>-</u>
Total Costs Submitted	<u>\$ 2,871,098</u>	<u>\$ 2,345,034</u>	<u>\$ 131,820</u>	<u>\$ 394,244</u>

800 MHz RECONFIGURATION
NOTES TO THE STATEMENT OF PROGRAM EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2016
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(in thousands, unless otherwise noted)

Costs classified as “Amounts Open for More Information to Allow Credit Assessment” include \$336.6 million pending additional information from Sprint and/or 800 MHz Licensees and \$57.6 million pending the completion of specific milestones. If subsequently determined to be Creditable Expenditures or Open Agreements – FCC Licensing Pending, these amounts may be included in a subsequent Statement of Program Expenditures.

VIII. NOT YET SUBMITTED PROGRAM EXPENDITURES (Unaudited)

In addition to the amounts open for additional information (See Note VII), the Statement of Program Expenditures does not include any costs incurred through December 31, 2016 that have not been submitted by Sprint to the TA for credit assessment.

Sprint estimates \$143.6 million of 800 MHz program-related costs were incurred through December 31, 2016 but not submitted by Sprint to the TA for credit assessment. This amount is the best estimate as of December 31, 2016, given the known events and circumstances at this point in time.

During the period from Inception through December 31, 2016, Sprint has also advised the TA that it has incurred certain costs related to its internal network that have not been quantified and therefore not submitted for credit assessment. Because Sprint has documented 800 MHz Expenditures sufficient to eliminate any Anti-Windfall Payment, it has indicated that it would not seek credit for these internal network costs. However, should circumstances change such that additional credit assessments are required, Sprint reserves its rights to submit these costs at that time. If subsequently submitted by Sprint to the TA, these costs may be assessed as Creditable Expenditures during a subsequent reporting period.

IX. SUBSEQUENT EVENTS

Events that occur after December 31, 2016, but before the Statement of Program Expenditures was issued or available to be issued, must be evaluated for recognition or disclosure. All activities of the Program through June 2, 2017 (the date the Statement of Program Expenditures was available to be issued) were evaluated and the following subsequent events that require disclosures were identified.

A. Letter of Credit

On March 22, 2017, the term of Sprint’s Irrevocable Letter of Credit for 800 MHz band reconfiguration was extended to February 3, 2021. In addition, on March 30, 2017, the amount of the Letter of Credit was reduced to \$151.9 million.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF THE STATEMENT OF PROGRAM EXPENDITURES PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To 800 MHz Transition Administrator, LLC:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the Statement of Program Expenditures of the 800 MHz Reconfiguration Program (Program) for the year ended December 31, 2016, and for the period from August 6, 2004 (Inception) through December 31, 2016, and have issued our report thereon dated June 02, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the Statement of Program Expenditures, we considered Sprint Corporation's ("Sprint") and the 800 MHz Transition Administrator, LLC's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the Statement of Program Expenditures, but not for the purpose of expressing an opinion on the effectiveness of Sprint's and the 800 MHz Transition Administrator, LLC's internal control. Accordingly, we do not express an opinion on the effectiveness of Sprint's and the 800 MHz Transition Administrator, LLC's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Statement of Program Expenditures is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, including the Federal Communications Commission *Improving Public Safety Communications in the 800 MHz Band*, Report and Order, Fifth Report and Order, Fourth Memorandum Opinion and Order, and Order, 19 FCC Rcd 14969 (2004), as amended, modified and supplemented, noncompliance with which could have a direct and material effect on the determination of Program expenditures. However, providing an

opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Sprint's and the 800 MHz Transition Administrator, LLC's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Sprint's and the 800 MHz Transition Administrator, LLC's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Bethesda, Maryland
June 02, 2017